

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** DAYN HARDIE  
DEPUTY ATTORNEY GENERAL

**DATE:** JULY 8, 2020

**SUBJECT:** AVISTA'S APPLICATION TO IMPLEMENT FCA RATES FOR NATURAL GAS SERVICE FROM NOVEMBER 1, 2020 THROUGH OCTOBER 31, 2021; CASE NO. AVU-G-20-05.

On June 30, 2020, Avista Corporation (“Company” or “Avista”) applied to the Commission for authorization to implement Fixed Cost Adjustment (“FCA”) rates for natural gas service effective from November 1, 2020 through October 31, 2021, to approve its corresponding modifications to Schedule 175, “Fixed Cost Adjustment Mechanism – Natural Gas,” and to update language in Schedule 175 to incorporate modifications authorized by Order No. 34502. Application at 1-2. Avista also asks that the Commission approve the level of natural gas FCA revenue deferred during calendar year 2019. *Id.* at 1. The Company separately applied to implement FCA rates for electric service in Case No. AVU-E-20-06. The Company proposes per therm FCA rebate rates for residential and non-residential gas customers. The Company’s Application, if approved, would incrementally decrease overall natural gas revenues by about \$1.1 million. *Id.* at 13. The monthly bill of an average residential gas customer would decrease by about \$1.11, or 2.2%. *Id.* at 12. Avista asks that its Application be processed by Modified Procedure and requests an effective date of November 1, 2020. *Id.* at 2.

### THE APPLICATION

In its filing, Avista proposes a rate rebate for its residential gas customer group and its non-residential gas customer groups based on the amount of deferred revenue recorded for each group between January 1, 2019 and December 31, 2019. *Id.* at 12. The Company mostly attributes the proposed changes to drivers such as cooler weather in February and March 2019 and “other” drivers. *Id.* at 7. Other drivers are not easily quantifiable according to the Company, but include the effects of non-programmatic energy efficiency and changes in business cycles. *Id.* at 8.

Avista recorded \$517,162 in the rebate direction in deferred revenue for its natural gas residential customer group in 2019. *Id.* (table includes: 2018 residual balance, interest, and revenue-

related expenses). After considering the 2018 residual balance of \$22,393, the Company proposes a rebate of \$509,799, at a proposed rate of -0.783 cents per therm, to the Company's residential natural gas customers served under rate Schedule 101. *Id.* at 8-9; Exhibit B. If approved by the Commission, the Company would record this amount in a regulatory liability balancing account and reduce the account balance each month by the surcharge received from customers under the tariff. *Id.* at 9.

For its natural gas non-residential customer groups, Avista recorded \$175,310 in the rebate direction in deferred revenue in 2019. *Id.* (table includes: 2018 residual balance, interest, and revenue-related expenses). After considering the 2018 residual balance of \$2,617, the Company proposes to rebate \$178,131, at a proposed rate of -0.687 cents per therm, to the Company's commercial and industrial natural gas customers served under rate Schedules 111 and 112. *Id.* at 9-10; Exhibit B. If approved by the Commission, the Company would record this amount in a regulatory liability balancing account and reduce the account balance each month by the rebate received by customers under the tariff. *Id.* at 10.

The Company also proposed to update language in its tariff Sheet 175 to include the modifications authorized by Order No. 34502. Order No. 34502 authorized the Company to: (1) extend its FCA mechanism for both gas and electric through March 31, 2025, (2) alter the first deferral period of the FCA extension by using a one-time, 18-month deferral period from January 1, 2020 through June 30, 2021, and (3) alter its quarterly FCA reporting mandate to 60 days after the end of each quarter.

With its Application, Avista submitted its residential and non-residential rate calculation, support for the Company's deferrals, and its proposed FCA tariff Sheet 175, including updated language to incorporate modifications authorized by Order No. 34502.

#### **STAFF RECOMMENDATION**

Staff recommends that the case be processed by Modified Procedure with a comment deadline of October 7, 2020 and reply deadline of October 14, 2020.

#### **COMMISSION DECISION**

Does the Commission wish to process this case under Modified Procedure with a comment deadline of October 7, 2020 and reply deadline of October 14, 2020?



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Dayn Hardie  
Deputy Attorney General